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Office of the Controller - City Services Auditor

MUNICIPAL TRANSPORTATION AGENCY:

The Agency Needs to Improve Cable Car Fare Collection Practices

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FINANCIAL AUDITS

April 17, 2007

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller

Monique Zmuda
Deputy Controller

April 17, 2007

Municipal Transportation Agency Board
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103-1267

President and Members:

The Office of the Controller presents its report on the review of cable car fare collection practices of the Municipal Transportation Agency (MTA). This review was performed at the request of MTA's Finance and Budget Division. The objective was to determine if cable car conductors were properly collecting fares from passengers and properly issuing receipts to passengers when collecting cash fares. During December 2006 and January 2007, auditors made 42 boardings on MTA's three cable car lines.

The review revealed that cable car conductors did not always collect fares. The conductors failed to collect fares in 17 (40%) of the 42 cable car boardings by auditors. In addition, the auditors observed during their rides that the conductors did not collect fares from at least 76 other boarding passengers. However, conductors did provide receipts whenever they collected cash fares. In the 25 rides where conductors collected cash fares from auditors, the conductors issued prenumbered receipts except in one instance.

The department's response is attached to this report. The Controller's City Services Auditor-Financial Audits will be working with the MTA to follow up on the status of the implementation of the recommendations in the report.

Respectfully submitted,

Ed Harrington
Controller

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INTRODUCTION

BACKGROUND

The Municipal Transportation Agency (MTA) operates three cable car lines that travel from Powell and Market Streets to Fisherman's Wharf, and along California Street. According to MTA's cable car revenue figures, fare collections have increased from $15.4 million in fiscal year 2003-04 to $20.2 million in fiscal year 2005-06. Part of the increase was due to a fare hike from $3 in fiscal year 2003-04 to $5 in fiscal year 2005-06. For the first six months of fiscal year 2006-07, MTA collected $12.1 million in cable car revenues.

The cable car lines operate from approximately 6:00 a.m. to 12:30 a.m. each day. Each cable car is staffed by a driver, known as a gripman, and a conductor, whose job is to collect fares, manage the boarding and exiting of passengers, and assist in braking whenever the car is on any steep hill.

The regular adult and youth cable car fare is $5 each way and can be paid to the conductor on the cable car or through tickets purchased at ticket booths at the Powell and Market and Hyde and Beach streets, and at various vendor locations throughout San Francisco.

Conductors are required to collect fares from the front of the cable car before leaving the terminal, working their way back as they proceed in service and when the car is on flat or nearly flat ground between boarding points. Conductors are to collect all fares without compromising safety. Gripmen are to help identify new passengers and point them out to the conductor. Conductors must provide prenumbered tickets to passengers who purchase fares onboard the cable cars. A ticket serves as a receipt for the cash fare. If a passenger refuses the receipt, the conductor is to destroy that receipt immediately. The prenumbered tickets help ensure that cable car conductors account for all sales. MTA staff reconciles cable car cash fare revenues returned by the conductors to the number and types of tickets issued.

SCOPE AND METHODOLOGY

The purpose of this review was to determine if cable car conductors were properly collecting fares for all boardings and issuing receipts for cash fares. During the period December 7, 2006, through January 28, 2007, auditors from the Office of the Controller took 42 rides on the 3 cable car

lines. Auditors took rides during various times of the day, including both weekdays and weekends. The auditors were prepared to pay for each ride with cash. In every situation, the auditors rode the cable car long enough to permit the conductor to approach them for fare collection.

RESULTS

THE MTA NEEDS TO IMPROVE FARE COLLECTION PRACTICES ON CABLE CARS

Conductors are not always collecting cash fares from passengers. Out of 42 boardings by the auditors, conductors failed to collect fares on 17 boardings (40%). However, in those 25 instances when conductors did collect cash fares, they issued prenumbered receipts in all but one instance. The following table summarizes the results of the auditor boardings. The data is presented to account for possible variables that may affect the collection of fares, such as the specific cable car line, the time of day, and the degree of crowding on the cable cars.

TABLE Cable Car Fare Collection Results

			Fares Collected			Fares Not Collected	
		Total Rides	Number	Percent	Receipts Issued	Number	Percent
Cable Car Line	Powell & Mason	14	9	64%	8	5	36%
	Powell & Hyde	16	9	56%	9	7	44%
	California	12	7	58%	7	5	42%
Boarding Point	Terminals	34	20	59%	19	14	41%
	Later On Route	8	5	63%	5	3	37%
Total Number of Passengers	Very Crowded (a)	1	1	100%	1	0	0%
	Moderately Crowded	14	7	50%	7	7	50%
	Relatively Empty	27	17	63%	16	10	37%
Time of the Day	Commuting Hours (b)	9	3	33%	3	6	67%
	Other Daytime Hours	25	16	64%	15	9	36%
	Evening Hours	8	6	75%	6	2	25%
Day of the Week	Weekday	38	24	63%	23	14	37%
	Weekend	4	1	25%	1	3	75%
Total Rides		42	25	60%	24	17	40%

(a) For the purpose of this report, very crowded is defined as more than 40 passengers boarded on a cable car. Moderately crowded represents 20-40 passengers. Relatively empty is less than 20 passengers on a cable car.

(b) For the purpose of this report, commuting hours are defined as 6 a.m. - 9 a.m. and 3 p.m. - 6 p.m. Other daytime hours are from 9 a.m. - 3 p.m. Evening hours are from 6 p.m.-1:30 a.m.

The auditors also noted on their rides that the conductors did not always collect cash fares from other boarding passengers. During the 42 rides, the auditors observed that conductors did not always move throughout the car when safe to do so or consistently collect fares from passengers. The auditors observed that conductors did not collect fares from at least 76 passengers. In a separate instance, the conductor made an announcement at the end of the line asking passengers to pay their fares if they had not previously paid and collected fares from 9 passengers; however, the conductor did not issue any receipts to those passengers. In addition, auditors also observed twice during the morning commuting hours that conductors could not make change for a $20 bill and instead gave free rides to auditors.

Potential Variables Affecting Collection Rates

Although we did not conduct a sufficient number of rides to make statistically based conclusions, the only variables that appeared to affect the fare collection rates were the relative crowding on the cable cars and the time of day the rides were taken. For each ride, auditors observed and recorded the relative crowding on a cable car. When cars were relatively empty, conductors collected fares from auditors on 17 (63%) of 27 occasions. However, when the cable cars were moderately crowded, conductors only collected fares from auditors on 7 (50%) of 14 occasions.

Furthermore, the collection rate was also affected by the time of day the auditors took the rides. Conductors collected fares in only 3 (33%) of 9 rides taken between 6 a.m. to 9 a.m. and 3 p.m. to 6 p.m. Conductors collected fares in 16 (64%) of 25 rides taken between 9 a.m. to 3 p.m. After 6 p.m., conductors collected fares in 6 (75%) of 8 rides.

RECOMMENDATION

To ensure that the Municipal Transportation Agency (MTA) maximizes cable car fare collections, the MTA should instruct cable car conductors to adhere to all MTA Cable Car fare collection procedures.

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

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MUNICIPAL TRANSPORTATION AGENCY RESPONSE TO THE REVIEW:

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Cameron Beach | Director
Shirley Breyer Black | Director
Wil Din | Director
Peter Mezey | Director
Tom Nolan | Director
Leah Shahum | Director

Nathaniel P. Ford, Sr. | Executive Director/CEO

April 10, 2007

Mr. Ed Harrington
Controller
City and County of San Francisco
City Hall Room 316
San Francisco, CA 94102

Dear Mr. Harrington:

Thank you for the Audit Report on Cable Car Fare Collection Review that identifies the following three issues:

- Conductors are not collecting fares consistently;
- Conductors are collecting fares but not providing receipts to riders consistently; and
- Conductors are allowing riders to ride the cable car for free when they do not have adequate change.

Based on your audit findings, San Francisco Municipal Transportation Agency (SFMTA) staff reviewed the current practices used for fare collections on cable cars and have identified seven recommendations that we will be implementing on an ongoing basis to address the three findings in the audit:

1. As part of the training program for conductors, include hands-on training and observation of fare collection procedures and require the trainee to be certified on fare collection (currently only driving training is certified);

2. Retrain all existing conductors and certify their training (e.g. require them to sign off on the training and/or verify their attendance at the training);

3. The Rail Operations Director and Cable Car Supervisors will re-emphasize all conductor guidelines and operating behaviors weekly, including those related to fare collection;

4. Rotate security personnel in plainclothes to observe staff on the cable cars for quality control;

5. Staff revenue booths at the four turning points for cable cars so that tickets are purchased at the booths rather than through conductors at these turning points. This will significantly reduce fare collection activities currently required of conductors and restrict their collection efforts to passengers who get on the system at other stops;

6. Institute a program where managers are assigned to ride cable cars during the week to enhance management's presence on vehicles to demonstrate

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our interest and stress the importance of this mode and the role of conductors and grip persons; and

7. Develop management reports that identify any issues requiring further research.

Prior to the implementation of the above steps, we will meet with Union representatives and advise them of the initiatives.

We feel confident that, with implementation of the above procedures, cable car fare collection issues will be significantly minimized. We will be inviting another audit one year from now to assess the success of these initiatives.

Once again, we appreciate the efforts of the Controller's office to assist us in improving the SFMTA's procedures and processes. Thank you.

Sincerely,

Nathaniel P. Ford, Sr.
Executive Director/CEO

NPF:sb

c: Kenneth McDonald
Antonio Parra
Sonali Bose

cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
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Report: Municipal Transportation Agency: The Agency Needs to Improve Cable Car Fare Collection Practices

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